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FISCAL IMPACT STATEMENT

LS 6003

BILL NUMBER: HB 1412

NOTE PREPARED: Oct 21, 2005

BILL AMENDED:

SUBJECT: Criteria for Industrial Development Programs.

FIRST AUTHOR: Rep. Grubb

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides that, in deciding whether to award a loan from the Industrial Development Fund, the Economic Development Corporation (IEDC) and the State Board of Finance may not: (1) require evidence of preliminary commitments to initiate or complete the program; or (2) base their decision on such evidence. The bill requires the Secretary of Commerce, in awarding grants from the Industrial Development Grant Fund, to use the same standards used for loans from the Industrial Development Fund. It provides that grants may be awarded for the construction of utilities or public infrastructure to improve the chance of securing future commitments for an industrial development program.

The bill provides that if a unit adopts an ordinance after June 30, 2006, to create an economic development district, a qualified industrial development project proposed for the district is not required to be supported by certain preliminary commitments. It also provides that the IEDC, in determining whether to preliminarily authorize a district, may not base its determination on the likelihood that a proposed project will be initiated or accomplished. It also updates references to certain federal statutes.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *Summary:* The bill could potentially expand the pool of local government units and other qualified public and nonprofit entities that are able to qualify for grants and loans from the Industrial Development Grant Fund and the Industrial Development Fund. If the changes lead to an increase in loan and grant applications, the Indiana Economic Development Corporation (IEDC) could potentially incur additional administrative expenses. The October 4, 2005, state staffing table indicates that the IEDC has 41 vacant full-time positions, including one regional office position.

Background: The bill prohibits the IEDC and State Board of Finance from imposing certain requirements on local units, and other public and nonprofit entities, for purposes of qualifying for Industrial Development grants and loans. The bill prohibits the IEDC and State Board of Finance from requiring local units and other entities to provide evidence of preliminary commitments from business enterprises, associations, state or federal government units, or similar entities that demonstrate a reasonable likelihood that the proposed industrial development project will be initiated and accomplished. This change would apply only to industrial development programs submitted for approval after June 30, 2006. In addition, the bill specifically permits recipients of Industrial Development grants to use that grant money for various development activities to improve the likelihood of securing future commitments of business or other entities to collaborate with the recipient in an industrial development program. This change would apply to grants awarded after June 30, 2006.

Under current statute, the Industrial Development Program provides for loans to cities, towns, counties, economic development commissions, special taxing districts, small business investment companies, and minority enterprise small business investment companies. The loan proceeds must be used for industrial development programs including: (1) construction of airports, airport facilities, and tourist attractions; (2) the construction, extension, or completion of sewer lines, waterlines, streets, sidewalks, bridges, roads, highways, public ways, and information and high technology infrastructure; (3) the leasing or purchase of real and personal property; and (4) the preparation of surveys, plans, and specifications for the construction of publicly owned and operated facilities, utilities, and services.

The loans are made from the Industrial Development Fund, which is a revolving fund that does not revert to the state General Fund. (Note: Non-reverting amounts in the Fund are limited to \$2 M.) The IEDC and the State Board of Finance jointly administer the Fund. Under current law, outstanding loans to a single development program, generally, can not exceed \$1 M. No money is appropriated to the Fund in FY 2006 or FY 2007. As of October 14, 2005, the Fund had a balance of \$751,012.

Current statute allows grants to be made from the Industrial Development Grant Fund. These grants may be made to cities; towns; counties; economic development commissions; special taxing districts; nonprofit corporations; regional water, sewage, or solid waste districts; conservancy districts; and the Indiana Development Finance Authority. Grants may be used for industrial development programs similar to those for which industrial development loans may be used. The IEDC also administers the Industrial Development Grant Fund, which does not revert to the state General Fund. A total of \$3.25 M is appropriated for purposes of the Industrial Development Grant Program in FY 2006 and in FY 2007. As of October 14, 2005, the Industrial Development Grant Fund had a balance of about \$1.0 M.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* The bill could potentially increase the number of local units that qualify to establish an Economic Development District and, as a result, employ tax increment financing (TIF) within the District. This would allow the local unit to capture incremental property tax revenue generated from taxable property in the District and allocate that revenue to District purposes. (The incremental property tax revenue is revenue from assessed property valuation in excess of the base assessed value calculated before the establishment of the District.) The total local revenues collected by the local civil taxing units and school corporations would remain unchanged.

Background: The bill eliminates the requirement that a local unit's proposal for an Economic Development District be supported by preliminary commitments by business enterprises, associations, state or federal government units, or similar entities that evidence a reasonable likelihood that the proposed qualified industrial development project will be initiated and accomplished. Under current statute, this requirement must be met for the IEDC to certify the local unit creating the District. The requirement would be eliminated for a District approved by a local unit after June 30, 2006.

State Agencies Affected: Indiana Economic Development Corporation; State Board of Finance.

Local Agencies Affected: Local Units.

Information Sources: State Budget Agency, Auditor's Data; Madhavi Cherian, State Budget Agency, (317) 234-4262.

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